

**MCBRIDE SHOPA & COMPANY, P.A.**

**CHRISTINA SCHOOL DISTRICT**

**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING  
AGREED-UPON PROCEDURES**

**JUNE 30, 2007**

**FIELDWORK END DATE: APRIL 21, 2008**

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## Independent Accountant's Report on Applying Agreed-Upon Procedures

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Christina School District  
600 N. Lombard Street.  
Wilmington, DE 19801

The Honorable Valerie A. Woodruff  
Secretary, Department of Education  
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We have performed the procedures enumerated below, which were agreed to by Christina School District, the Office of Auditor of Accounts, and the State of Delaware Department of Education. The procedures were performed solely to assist the specified parties in evaluating the School District's compliance with criteria from the State of Delaware Fixed Asset Policy Manual, the State of Delaware Department of Education School Construction Technical Assistance Manual, the Delaware Code, and the State of Delaware Budget and Accounting Manual. Christina School District's management is responsible for compliance with those requirements.

This agreed-upon procedures attestation engagement was performed in accordance with *Government Auditing Standards* (2003), issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Determine if the School District's policies and procedures for identifying, tracking, and recording capital assets are adequate.

Our procedures disclosed no instances of noncompliance that resulted in findings and recommendations.

2. Determine whether the School District's construction project records and files (current and prior fiscal years) are accurate.

Our procedures disclosed instances of noncompliance that resulted in Finding #07-01 and related recommendations. See *Appendix A*.

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3. Determine if expenditures are accurately stated and are made in accordance with the State Fixed Asset Policy Manual and the intent of the project scope mandated by the General Assembly, the Department of Education, and the Local Board of Education.

Our procedures disclosed instances of noncompliance that resulted in Finding # 07-02, and related recommendations. See *Appendix A*.

4. Determine whether the School District's construction project records and files include only active construction projects as of June 30 of the CFY. Ensure that completed projects have been appropriately closed out of construction and added to the State Fixed Asset system.

Our procedures disclosed instances of noncompliance that resulted in Finding #07-03 and related recommendations. See *Appendix A*.

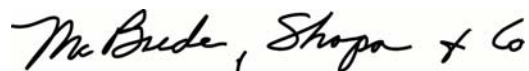
5. Prepare the School District's Schedule of Construction Projects for Fiscal Year 2007.

See *Appendix C*.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Christina School District management and Board Members and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited. This report, as required by statute, was provided to the Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, Department of Finance, the State Treasurer's Office, and the Office of Auditor of Accounts.

Sincerely,



April 21, 2008

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# SCHEDULE OF FINDINGS & RECOMMENDATIONS

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## APPENDIX A

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### ***Procedure Agreed Upon #2***

Determine whether the School District's construction project records and files (current and prior fiscal years) are accurate.

### ***Finding #07-01***

During the completion of the project checklist for Maclary Elementary, evidence was missing indicating that the Division of Facilities Management had reviewed the construction plans, specifications, and cost estimates prior to bid advertisement as stipulated in Title 29, section 7419 (a). Neither the district, nor Division of Facilities Management, could provide documentation that the review had taken place. The effect is a deficiency in the internal control system.

### ***Recommendation:***

The Christina School District should review and revise procedures to ensure that the proper procedures are followed prior to bid advertisement.

### ***School District Response:***

Christina School District will review procedures to ensure that the proper submissions are made prior to bid advertisement. The documents for Maclary have now been forwarded to Department of Administrative Services (DAS) for review.

### ***Procedure Agreed Upon #3***

Determine if expenditures are accurately stated and are made in accordance with the State Fixed Asset Policy Manual and the intent of the project scope mandated by the General Assembly, the Department of Education, and the Local Board of Education.

### ***Finding #07-02***

Payroll costs were capitalized and included in the Construction Work in Process (CWIP) report during FY 2007. The district was following guidance from the Budget and Accounting Policy Manual, Chapter XV, Section IV, paragraph B.3. Inclusion of payroll costs in CWIP could result in overstatement of CWIP and fixed asset amounts.

### ***Recommendation:***

The district personnel should attend the capital asset training in May to be presented by the Division of Accounting (DOA). During this training DOA will specifically address the topic of payroll in CWIP.

### ***School District Response:***

Christina School District has implemented procedures to ensure custodial payroll cost and other non-capital expenses are not included in Construction Work in Progress (CWIP) or

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# SCHEDULE OF FINDINGS & RECOMMENDATIONS

## APPENDIX A

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fixed assets. In addition, Christina School District personnel are scheduled to attend capital asset training on May 14, 2008.

### ***Procedure Agreed Upon #4***

Determine whether the School District's construction project records and files include only active construction projects as of June 30 of the CFY. Ensure that completed projects have been appropriately closed out of construction and added to the State Fixed Asset system.

### ***Finding #07-03***

Additions and betterments should be charged to the correct school once the project has been classified as completed. A betterment for McVey ES (\$278,759.62) was entered as a betterment for Glasgow HS. In addition, a betterment for Glasgow HS (\$57,960) was not recorded. This was due to an oversight by the school district personnel. As a result, fixed assets were overstated for Glasgow HS and understated for McVey ES.

### ***Recommendation:***

The Christina School District should obtain the detailed adjustments from the Division of Accounting, review the adjustments for accuracy, and then properly capitalize the betterments for Glasgow HS and McVey ES.

### ***School District Response:***

In September 2007, Christina School District became aware of the McVey and Glasgow betterment error and contacted the Division of Accounting for guidance on how to correct the mistake. As of April 2008, we received guidance and have resolved the issue. The McVey betterment has been corrected and betterment for Glasgow has been added.

# SCHEDULE OF PRIOR YEAR FINDINGS

APPENDIX B

The following schedule summarized the prior year findings and the status of the prior year findings.

Prior Year Finding	Recommendation	Status of Prior Year Finding
Finding #06-01	We recommend that the district adopts a policy to ensure that the required signatures for authorizing the major capital expenditure are obtained prior to processing the transaction document. The benefits of this policy would be that the district is charged only for those expenditures that qualified district personnel has determined to be properly documented and supported by those with adequate knowledge of the major capital project.	Payment Vouchers (PV) are forwarded to the appropriate Program Manager for approval and signature. Once signed by the Project Manager, the PV is forwarded to the Director of Facilities for final review and approval. Please be advised that the Director of Facilities Services may act as Project Manager for some projects. Therefore, only one signature would be required from Faculties on some documents. <b>Implemented</b>
Finding #06-02	We recommend that the district adopts a policy to ensure that the GAAP Package is reviewed and approved by the Finance department prior to being sent to the Division of Accounting. We further recommend that a separate GAAP Package is prepared for both the Sterck School and the Autism Expansion Project and that the appropriation codes be included in the GAAP Package excel spreadsheet.	The GAAP Package is prepared and reviewed by the Finance department prior to being sent to the Division of Accounting. The Division of Accounting is making efforts (as suggested by KPMG) to decrease the number of GAAP packages received. Therefore, we have been instructed by the Division of Accounting to keep all capital projects reported under one package. We have included all capital project appropriation codes on our GAAP Package excel spreadsheet. <b>Implemented</b>

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# SCHEDULE OF PRIOR YEAR FINDINGS

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APPENDIX B

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**Status Key:**

Implemented

The concern has been addressed by implementing the original or an alternate corrective action.

Not Implemented

The corrective action has not been initiated

Partially Implemented

The corrective action has been initiated but is not complete and the auditor has reason to believe management fully intends to address the concern.

# SCHEDULE OF CONSTRUCTION PROJECTS

APPENDIX C

Project Name	Fiscal Year	Original Funding Amount	De-auth Funding Amount	Total Project Funding to Date	Expended Current FY	Expended Prior FY's	Total Project Expended to Date	Total Unspent as of 06/30/07
Bancroft Elementary	2004	559,300		559,300	57,056	474,371	531,427	27,873
Bancroft Elementary	2005	5,033,300	(920,000)	4,113,300	881,239	3,147,562	4,028,801	84,499
Newark High	2004	731,000		731,000	57,977	609,997	667,974	63,026
Newark High	2005	6,579,200	745,000	7,324,200	1,884,843	5,317,952	7,202,795	121,405
Glasgow High	2004	454,700	(4,600)	450,100	840	446,465	447,305	2,795
Glasgow High	2004	682,000		682,000	76,458	566,543	643,001	38,999
Pyle Elementary	2005	4,015,700	(250,000)	3,765,700	963,437	1,639,438	2,602,875	1,162,825
Brookside Elementary	2003	474,700		474,700	289	471,540	471,829	2,871
Brookside Elementary	2004	5,905,200	(190,000)	5,715,200	261,785	5,436,363	5,698,148	17,052
West Park Elementary	2003	514,300	(1,066)	513,234		513,234	513,234	0
West Park Elementary	2004	6,421,700	(279,816)	6,141,884		6,141,883	6,141,883	1
Kirk Middle	2003	439,500	(584)	438,916		438,916	438,916	0
Kirk Middle	2004	5,468,200	25,000	5,493,200	9,650	5,407,748	5,417,398	75,802
Pulaski Elementary	2003	275,300		275,300		275,300	275,300	0
Pulaski Elementary	2004	3,424,300	(879,976)	2,544,324	48,992	2,492,354	2,541,346	2,978
Palmer Elementary	2003	158,700		158,700		152,824	152,824	5,876
Palmer Elementary	2004	1,974,200	596,183	2,570,383	387,674	2,170,327	2,558,001	12,382
Porter Road Land	2003	927,000		927,000	891,913	35,087	927,000	0

# SCHEDULE OF CONSTRUCTION PROJECTS

APPENDIX C

Project Name	Fiscal Year	Original Funding Amount	De-auth Funding Amount	Total Project Funding to Date	Expended Current FY	Expended Prior FY's	Total Project Expended to Date	Total Unspent as of 06/30/07
Porter Road Elementary	2003	1,107,300		1,107,300	5,427	904,908	910,335	196,965
Porter Road Elementary	2005	3,751,700		3,751,700	54,539	1,204,001	1,258,540	2,493,160
Porter Road Land	2005	1,974,100		1,974,100	907,326	38,353	945,679	1,028,421
Porter Road Elementary	2006	8,049,800		8,049,800	492,178	1,618,150	2,110,328	5,939,472
Astro Middle Land	2003	1,442,000		1,442,000		1,442,000	1,442,000	0
Astro Middle	2004	1,892,800		1,892,800	0	1,892,800	1,892,800	0
Astro Middle	2005	5,516,700		5,516,700		5,516,700	5,516,700	0
Astro Middle	2005	2,362,400		2,362,400	690,455	1,136,093	1,826,548	535,852
Astro Middle	2006	11,519,100		11,519,100	426,886	10,753,080	11,179,966	339,134
Jones Elementary	2003	472,700	(63)	472,637	0	472,637	472,637	0
Jones Elementary	2004	5,879,800	484,094	6,363,894	452,444	5,910,301	6,362,745	1,149
Smith Elementary	2004	938,000		938,000	120,227	801,514	921,741	16,259
Smith Elementary	2005	8,441,500	275,581	8,717,081	918,803	7,609,715	8,528,518	188,563
Gallaher Elementary	2004	673,800		673,800	76,228	597,572	673,800	0
Gallaher Elementary	2005	6,064,500	329,600	6,394,100	1,187,695	5,188,979	6,376,674	17,426
McVey Elementary	2004	723,000		723,000	100,020	592,659	692,679	30,321
McVey Elementary	2005	6,506,700	70,000	6,576,700	1,375,308	5,008,568	6,383,876	192,824
Maclary ES/ILC	2005	790,000		790,000	151,718	440,684	592,402	197,598
Maclary ES/ILC	2006	7,109,300		7,109,300	4,086,191	1,050	4,087,241	3,022,059
Autism Program	2004	2,316,500		2,316,500		2,312,937	2,312,937	3,563

# SCHEDULE OF CONSTRUCTION PROJECTS

APPENDIX C

Project Name	Fiscal Year	Original Funding Amount	De-auth Funding Amount	Total Project Funding to Date	Expended Current FY	Expended Prior FY's	Total Project Expended to Date	Total Unspent as of 06/30/07
Autism Program	2005	665,000		665,000	20,860	592,014	612,874	52,126
Wilson Elementary	2005	737,500		737,500	141,754	468,696	610,450	127,050
Wilson Elementary	2006	6,638,200		6,638,200	126,296		126,296	6,511,904
Downes Elementary	2006	736,200		736,200	153,572	459,144	612,716	123,484
Downes Elementary	2006	6,625,100		6,625,100	20,954		20,954	6,604,146
Christiana High	2005	1,028,700		1,028,700	118,263	567,908	686,171	342,529
Christiana High	2006	9,258,200		9,258,200	975,173		975,173	8,283,027
Sterck Expansion	2006	2,700,000		2,700,000	472,983	108,106	581,089	2,118,911
Sterck Expansion	2007	8,000,000		8,000,000	1,382,859		1,382,859	6,617,141
<b>Totals</b>		<b>157,958,900</b>	<b>(647)</b>	<b>157,958,253</b>	<b>19,980,312</b>	<b>91,376,473</b>	<b>111,356,785</b>	<b>46,601,468</b>
Portable Classrooms								
APP #7319	2003				3,909			
APP #7423	2004				272,200			
APP #7523	2006				<u>92,068</u>			
<b>Total</b>					<b>368,177</b>			
<b>Total FY Additions per DFMS</b>					<b>20,348,489</b>			
Note: Reconciliation to show how the DFMS total ties into the GAAP package for CWIP								

Copies of Christina School District's Agreed-upon Procedures Attestation Engagement have been distributed to the following public officials:

Executive Branch

The Honorable Ruth Ann Minner, Governor, State of Delaware  
The Honorable Richard S. Cordrey, Secretary, Department of Finance  
The Honorable Jennifer W. Davis, Director, Office of Management and Budget  
Ms. Trisha Neely, Director, Division of Accounting

Legislative Branch

The Honorable Russell T. Larson, Controller General, Office of Controller General

Other Elective Offices

The Honorable Joseph R. Biden, III, Attorney General, Office of the Attorney General  
The Honorable Jack Markell, Treasurer, State Treasurer's Office

Other

James Durr, President, Board of Education, Christina School District  
John Mackenzie, Ph. D., Vice President, Board of Education, Christina School District  
Gina Backus, Board of Education, Christina School District  
George E. Evans, Esq., Board of Education, Christina School District  
Beverly Howell, Board of Education, Christina School District  
David Resler, Board of Education, Christina School District  
Shirley Saffer, Board of Education, Christina School District  
Lillian M. Lowery, Ed. D, Superintendent, Christina School District  
Patrick T. O'Rourke, Director, Budget and Finance, Christina School District  
Denise Glover, Manager, Finance, Christina School District  
Kelli W. Racca, Supervisor, Facility Management, Christina School District  
Nicholas Vacirca, Specialist, Capital Projects, Christina School District